

The Graphic Arts Machinery and Equipment Exemption extends to machinery and equipment that is used primarily (more than 50% of the time) in graphic arts production. See 86 Ill. Adm. Code 130.325. (This is a PLR).

February 28, 2000

Dear Ms. Xxxxx:

This Private Letter Ruling, issued pursuant to 2 Ill. Adm. Code 1200, is in response to your letter dated January 26, 2000. Review of your request for a Private Letter Ruling disclosed that all information described in paragraphs 1 through 8 of subsection (b) of the enclosed copy of Section 1200.110 appears to be contained in your request. This Private Letter Ruling will bind the Department only with respect to COMPANY for the issue or issues presented in this ruling. Issuance of this ruling is conditioned upon the understanding that neither COMPANY nor a related taxpayer is currently under audit or involved in litigation concerning the issues that are the subject of this ruling request.

In your letter, you have stated and made inquiry as follows:

This is to request a formal private letter ruling regarding the Sales and Use Tax treatment of a purchase of a collating machine, transactions which occurred June, 1999, final payment on August, 1999, for a total of \$64,100; and a typesetting machine, transaction which occurred on December, 1999, for a total of \$50,705. To the best of COMPANY's knowledge, these transactions are not and have not been subject to a Department of Revenue audit, administrative or court case involving COMPANY or any related party. To the best of COMPANY the Department has not previously ruled on these transactions. This is a question of whether sales tax is applicable.

FACTS

COMPANY located at CITY, Illinois, is a company in the business of providing rates and research on debt issues. COMPANY also publishes rates and research in booklet and publication format for its clients.

COMPANY purchased a collating machine and a typesetting machine for the purpose of producing such booklets and publications. The machines are described as a typesetting equipment and a collating equipment, their final output is such publications and booklets. These machines comply to the definition of Section 2-5(4) of the Illinois Retailers' Occupation Tax Act (ROTA), in which it is a graphic arts machinery and equipment. The machines are primarily used (more than 50% of the time) in graphic arts production. The machines' primary functions are collating and typesetting. The

machines purchased are not photocopiers. Furthermore, we were unable to find any authority contrary to the position of sales tax exemption.

Thanks to your prompt response to this inquiry.

Let me know if you have any questions.

The Retailers' Occupation Tax does not apply to the sale of machinery and equipment, including repair and replacement parts thereof, to be used primarily (more than 50% of the time) in graphic arts production. See 86 Ill. Adm. Code 130.325, enclosed. Prior to August 13, 1999, "graphic arts production" was defined as "printing by one or more of the common processes or graphic arts production services as those processes and services are defined in Major Group 27 of the U.S. Standard Industrial Classification Manual." 35 ILCS 120/2-30 (1998 State Bar Edition). These types of common processes of printing include printing such as by letterpress, lithography, gravure, screen, engraving, and flexography. Printing trade services such as typesetting, negative production, plate production, bookbinding, finishing, and loose-leaf binder production are examples of services that are included in the definition of graphic arts production. In addition, equipment to collate, bind or finish the graphic arts product will generally be considered to constitute an exempt use under Section 130.325(c)(3)(C).

On and after August 13, 1999, "graphic arts production" means printing, including ink jet printing, by one or more of the processes described in Groups 323110 through 323122 of Subsector 323, Groups 511110 through 511199 of Subsector 511, and Group 512230 of Subsector 512 of the North American Industry Classification System ("NAICS") published by the U.S. Office of Management and Budget, 1997 edition. Graphic arts production does not include (i) the transfer of images onto paper or other tangible personal property by means of photocopying or (ii) final printed products in electronic or audio form, including the production of software or audio books. 35 ILCS 120/2-30. (See Public Act 91-541, effective August 13, 1999).

Per our phone conversation of February 16 in which I requested more detailed information concerning the typesetting and collating machines, you represented that these machines are used more than 50% of the time in your company's lithographic printing process. Typesetting machines and collating machines used primarily in a lithographic printing process qualify as graphic arts production under both the old and new definition. Specifically, the printing trade service of typesetting equipment, which qualifies under NAICS Group 323122, used to qualify under U.S. Standard Industrial Classification Manual Section 2791. Collating machines used primarily in a lithographic printing process qualify under NAICS Group 323110 (lithographic printing), they previously qualified under Section 2752 of the U.S.S.I.C.M. Therefore, your company's typesetting machine and collating machine qualify as machinery and equipment used primarily in graphic arts production and are exempt from Retailers' Occupation Tax.

The facts upon which this ruling are based are subject to review by the Department during the course of any audit, investigation, or hearing and this ruling shall bind the Department only if the material facts as recited in this ruling are correct and complete. This ruling will cease to bind the

Department if there is a pertinent change in statutory law, case law, rules or in the material facts recited in this ruling.

I hope this information is helpful. The Department of Revenue maintains a Web site, which can be accessed at www.revenue.state.il.us. If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

Very truly yours,

Gina Roccaforte
Associate Counsel

GR:msk
Enc.